

# HOUSE BILL No. 1196

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10.2-2-19; IC 5-10.3-5-4; IC 5-10.4-3-10.

**Synopsis:** Investment managers for pension funds. Requires the boards of trustees of the public employees' retirement fund and the Indiana state teachers' retirement fund to employ investment managers that are minority business enterprises and investment managers that are women-owned business enterprises. Specifies that 15% of the assets of each fund must be placed under the investment control of investment managers that are minority business enterprises and 5% of the assets of each fund must be placed under the investment control of investment managers that are women-owned business enterprises.

**Effective:** July 1, 2007.

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**Crawford**

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January 11, 2007, read first time and referred to Committee on Financial Institutions.

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Introduced

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## HOUSE BILL No. 1196

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-10.2-2-19 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2007]: **Sec. 19. (a) As used in this section, "emerging money  
4 manager" means an investment adviser that:**

5 (1) has an investment portfolio of less than one billion dollars  
6 (\$1,000,000,000) on July 1, 2007; and

7 (2) is a minority business enterprise (as defined in  
8 IC 4-13-16.5-1) or a women-owned business enterprise (as  
9 defined in IC 5-16-6.5-3).

10 (b) The board of each fund is strongly encouraged to use  
11 emerging money managers to the greatest extent feasible in  
12 managing the assets of the fund.

13 (c) Except as provided in subsection (d), not later than  
14 December 31, 2008, each board shall contract for and employ:

15 (1) emerging money managers that are minority business  
16 enterprises to manage at least fifteen percent (15%) of the  
17 assets under the board's control; and



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(2) emerging money managers that are women-owned business enterprises to manage at least five percent (5%) of the assets under the board's control.

(d) Beginning with the 2007 annual report, each fund shall provide the following information in its annual report each year:

(1) The identity of each emerging money manager used by the fund.

(2) The percentage of the fund's assets under the investment control of each emerging money manager used by the fund.

If either fund, exercising financial and fiduciary prudence, determines that it is unable to meet the percentages set forth in subsection (c), the fund shall include in its annual report a description of efforts made to meet the percentages and a description of the fund's plan to achieve the percentages as quickly as possible.

SECTION 2. IC 5-10.3-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4. (a) Securities shall be held for the fund by banks or trust companies under a custodial agreement. Income, interest, proceeds of sale, materials, redemptions, and all other receipts from securities and other investments which the board retains for the cash working balance shall be deposited with the treasurer of state.

(b) **Subject to IC 5-10.2-2-19**, the board may contract with investment counsel, trust companies, or banks to assist the board in its investment program.

SECTION 3. IC 5-10.4-3-10, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 10. (a) The board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board also shall diversify investments in accordance with prudent investment standards, subject to the limitations and restrictions set forth in IC 5-10.2-2-18.

(b) The board may:

(1) make or have investigations made concerning investments; and

(2) contract for and employ investment counsel to advise and assist in the purchase and sale of securities, **subject to IC 5-10.2-2-19**.

(c) The board is not subject to IC 4-13, IC 4-13.6, or IC 5-16 when managing real property as an investment. A management agreement entered into by the board shall ensure that the management agent acts

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1 in a prudent manner regarding the purchase of goods and services.  
 2 Contracts for the management of investment property shall be  
 3 submitted to the governor, the attorney general, and the budget agency  
 4 for approval. A contract for the management of real property as an  
 5 investment:

6 (1) may not exceed a four (4) year term and must be based upon  
 7 guidelines established by the board;

8 (2) may provide that the property manager may collect rent and  
 9 make disbursements for routine operating expenses such as  
 10 utilities, cleaning, maintenance, and minor tenant finish needs;

11 (3) shall establish, consistent with the board's duty under  
 12 IC 30-4-3-3(c), guidelines for the prudent management of  
 13 expenditures related to routine operation and capital  
 14 improvements; and

15 (4) may provide specific guidelines for the board to:

16 (A) purchase new properties;

17 (B) contract for the construction or repair of properties; and

18 (C) lease or sell properties;

19 without individual transactions requiring the approval of the  
 20 governor, the attorney general, the Indiana department of  
 21 administration, and the budget agency. However, each individual  
 22 contract involving the purchase or sale of real property is subject  
 23 to review and approval by the attorney general at the specific  
 24 request of the attorney general.

25 (d) Whenever the board takes bids in managing or selling real  
 26 property, the board shall require a bid submitted by a trust (as defined  
 27 in IC 30-4-1-1(a)) to identify all the following:

28 (1) Each beneficiary of the trust.

29 (2) Each settlor empowered to revoke or modify the trust.

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